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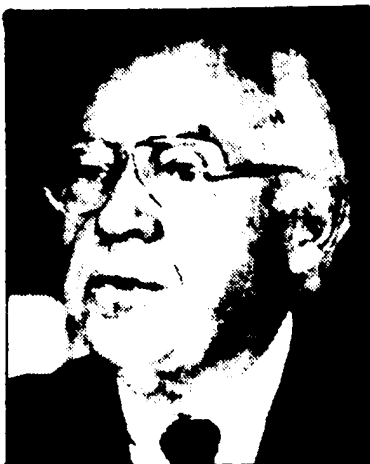
Casey Dies of Pneumonia; Role in Arms Deal Untold

By DON IRWIN,
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WASHINGTON—William J. Casey, World War II spy master and self-made millionaire tax lawyer who served as director of Central Intelligence at the height of the Iran-contra scandal, died Wednesday of pneumonia that developed after he had brain surgery in December.

Casey, 74, died in a Long Island hospital only hours after retired Air Force Maj. Gen. Richard V. Secord had told Congress that he had met three times with Casey in 1985 and 1986 to get help for his private airlift for the Nicaraguan rebels during a time when government aid was illegal.

Sen. Patrick J. Leahy (D-Vt.), former vice chairman of the Intelligence Committee, said Casey's death meant that his role in the Iran-contra affair may never be fully known. Casey, Leahy said, "probably knew the most of any-



Associated Press

William J. Casey

body—with the possible exception of Oliver North—and of course that we'll never know, because he didn't really tell us much about it."

Casey, who managed President Reagan's 1980 campaign for the White House before his six years at the helm of the Central Intelligence Agency, resigned Feb. 2, 6½ weeks after a cancerous tumor was removed from his brain. Reagan accepted the departure of his longtime associate with "profound regret."

It was perhaps appropriate that Casey's career as an activist administrator ended in stormy times, for controversy and achievement were twin hallmarks of his service at two sensitive federal agencies. Before he took over the CIA, he had served two years as chairman of the Securities and Exchange Commission under President Richard M. Nixon.

Tall, bulky and blunt-speaking, Casey won acclaim in both assignments for his quick grasp of complex subjects and for innovative leadership that rekindled morale in jaded staffs. But he could be testy and sarcastic and had a tendency to mumble and sidestep direct answers to imprecisely phrased questions—a trait that tended to alienate congressmen questioning him at hearings.

Earned Millions

An erudite and voracious reader who wrote a book on the American Revolution as well as several business manuals, Casey was a millionaire several times over. His appearance belied his wealth—his suit often was rumpled, his wispy white hair a bit out of control. But conversely, his speech, in the accents of his native New York, was articulate.

Sen. Daniel K. Inouye (D-Hawaii), chairman of the Senate select committee investigating the Iran affair, said that regardless of the final determination of Casey's role in the scandal, "it should not obscure Mr. Casey's distinguished record of commitment to this country. . . . Mr. Casey served his nation with dedication, purpose and energy."

At the White House, Reagan issued a statement saying: "The nation and all those who love freedom honor today the name and memory of Bill Casey. In addition to crediting him with rebuilding America's intelligence capability, history will note the brilliance of his mind and strategic vision, his passionate commitment to the cause of freedom and his unhesitating willingness to make personal sacrifices for the sake of that cause

and his country."

The CIA issued a statement that said: "We have benefitted from his leadership and we shall miss him. He strove vigorously and successfully to enhance the quality and quantity of information provided to

policy-makers, and in that process brought a high degree of collegiality and openness to his dealings with the other members of the intelligence community."

Casey's tenure at the CIA was notable for improvements and achievements resulting partly from his closeness to the President who made him the first CIA chief to hold Cabinet rank. Although critics found unwanted political overtones in the relationship, it gave him leverage to boost the agency's classified budget, which was said to have more than doubled during his six years as director.

The money helped to pay for rebuilding the CIA's network of covert intelligence agents, which had been decimated during President Jimmy Carter's Administration by substitution of technological devices, such as satellites, for many human agents.

The funds also helped to revive the CIA's covert activities that supported the so-called Reagan Doctrine of backing anti-communist resistance movements. In Casey's time, there were operations in Central America, Ethiopia, Angola, Afghanistan and Cambodia.

There were also complaints—many from Capitol Hill and not all from Democrats—that Casey, who made his fortune on Wall Street before entering government, had been highhanded in some of his dealings as a businessman and government official while being evasive in others.

Terrorism and Soviet expansion were Casey's chief concerns. He targeted Soviet bridgeheads in Third World nations that used terror to enforce Moscow's policy line. He worked with some success to extend CIA cooperation with Israel and with non-communist Arab states that were among Israel's historical enemies.

Toward the end of his tenure, in December, 1986, Casey came under heavy fire as legislators and journalists peeled back layers of a clandestine operation run by National Security Council officials. Apparently hoping to win freedom for Americans held hostage by Lebanese Muslim extremists, the officials had managed secret sales of U.S. arms to Iran's government. And there was evidence that proceeds of the sales were earmarked to aid the rebels fighting Nicaragua's Marxist regime.

Three months later, Casey shared in the blame when a special presidential commission headed by former Sen. John Tower (R-Tex.)

issued its verdict on the Iran-contra scandal.

The report scored Casey for failing to advise Reagan promptly of the suspected fund diversion to the contras and held that he should have explained to the President the risks involved if the Iranian operation became public.

Casey stunned the House Foreign Affairs Committee when he disclosed during a closed session on Dec. 10 that a former law client gave him his first inkling the previous Oct. 7 that funds from Iranian arms sales might be going to the contras. Until then, Casey had maintained that he was unaware of the diversion until Atty. Gen. Edwin Meese III described it publicly Nov. 25.

On Dec. 15, as he met with aides in his office to discuss another appearance, scheduled for the next day before the Senate Intelligence Committee, Casey suffered a cerebral seizure. A second incident followed as an ambulance rushed him to a Washington hospital.

In a five-hour operation three days later, surgeons removed a malignant tumor from the left side of Casey's brain. Although his speech became slurred and the power of movement on his right side was affected, associates denied any effect on his acute intellect.

When Casey stepped down from his CIA post, peacetime government service had come to be a third career for him. When World War II struck, he was a brainy, ambitious 28-year-old climbing the legal ladder in post-Depression Manhattan. He found a slot as an assistant to David K. E. Bruce, a co-founder of the Office of Strategic Services, the wartime clandestine predecessor of the CIA.

Support for Resistance

At the OSS, Casey helped to coordinate support by French Resistance forces for the Allied landings in Normandy in June, 1944. Later, he served under Bruce as chief of OSS intelligence operations in the European theater, a post that put him in charge of infiltrating agents into Nazi Germany.

Casey worked in Washington for a year after his discharge in 1946 as special counsel to the Senate Small Business Committee. Thereafter, he said later, he decided to "establish my financial independence first," even though he "always wanted to go back" to government.

The road back led through Manhattan, where he lectured on tax law at New York University, prac-

ticed law and wrote or edited a series of handbooks.

One of Casey's law partners was Leonard W. Hall, a political counselor to President Dwight D. Eisenhower who was Republican national chairman from 1963 to 1967. Under Hall's aegis, Casey made his only attempt at elective office in 1966, losing a House Republican primary in his home district.

Casey was locally active in Nixon's successful 1968 presidential campaign, and he and his wife, Sophia, contributed \$17,500 that year to six GOP campaign committees. In February, 1971, Nixon appointed Casey to head the SEC, which was under attack for permitting unsound financial practices to spread in the securities industry.

Improved Enforcement

Casey won generally high marks for his work in making the commission more effective, particularly for policies that improved enforcement, encouraged restructuring of securities markets to increase competition and strengthened financial disclosure rules to clamp down on issuance of misleading corporate financial statements.

But first, Casey had to surmount charges of borderline business practices that postponed his confirmation as SEC chief for a month. After a tentative vote of unanimous approval, the Senate Banking Committee abruptly reopened hearings to assess complaints leveled against Casey in suits filed during his career as a businessman.

Casey argued that the charges against him were insignificant, calling them examples of the problems that any active businessman must deal with. The committee voted to recommend his appointment and the Senate concurred.

Casey left the SEC in February, 1973, to become assistant secretary of state for economic affairs under Secretary of State William P. Rogers. A year later, soon after Rogers returned to private life, Nixon reassigned Casey to the presidency of the Export-Import Bank. Casey resigned that job after only seven months to join Rogers' law firm.

Concern on Fraud Case

In the spring of 1973, Casey testified to a House Commerce subcommittee that former Atty. Gen. John N. Mitchell, during brief service as director of Nixon's reelection campaign, had voiced concern about a fraud case that the SEC was bringing against Robert L. Vesco, a financier accused of

looting \$224 million from four mutual funds.

Before the subcommittee and later in court testimony, Casey said that former White House counsel John W. Dean III, who soon became a key Watergate witness, had tried a week before the 1972 elections—while Casey was still head of the SEC—to get him to defer questioning of two Vesco employees "to avoid a campaign smear." Casey said he rejected the request.

Casey was a witness at the trial of Mitchell and former Commerce Secretary Maurice H. Stans, who were accused of obstruction of justice in connection with an illegal, secret \$200,000 contribution Vesco made to the Nixon campaign. He testified that he did not learn about the gift until after the election and after he met with Vesco's lawyer at Mitchell's request. Mitchell and Stans were acquitted.

At the House hearing, Casey reasserted a claim that the Justice Department had requested transfer from the SEC to Justice of 34 cartons of politically sensitive documents involving questionable contacts between International Telephone & Telegraph Corp. and Nixon Administration officials.

Testimony Challenged

A department official challenged Casey's testimony and Dean testified that it was Casey who had pressed for transfer of the papers to evade a subpoena that could have aired embarrassing facts a scant month before the 1972 election.

Six months after his original testimony, Casey took responsibility for the transfer. The Watergate special prosecutor's office examined the conflicting testimony but took no action.

After Casey left the Export-Import Bank, his links to the intelligence community were re-established when he was named to the old Foreign Intelligence Advisory Board by President Gerald R. Ford.

At the same time, Casey maintained strong Republican connections. In November, 1979, he served as chairman of a New York dinner at which Ronald Reagan officially announced his availability for the 1980 presidential nomination. He soon became a member of Reagan's executive advisory committee.

Before the New Hampshire primary, Casey worked with Meese on issues, research and development. On the eve of the Feb. 26 balloting, which gave the former California

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governor 50% of the GOP vote in a seven-candidate field, Reagan fired John P. Sears, his campaign manager, and chose Casey to take over.

Take over he did. He was credited with a reorganization that forestalled bankruptcy without slowing the momentum of the Reagan bandwagon. He was rated a decisive, effective executive, a man without faction in a faction-ridden organization who retained the enthusiastic support of Meese and the "California Mafia" even as he infused appointees of his own into the operation.

The formula worked on Election Day. Five weeks later, the incoming President chose Casey as director of Central Intelligence, a post with influence extending beyond the CIA.

His responsibilities included oversight of the government's entire foreign intelligence establishment, which includes the National Security Agency and the Defense Intelligence Agency, as well as smaller overseas intelligence operations maintained by various departments and agencies.

CIA Figure Resigns

Casey vowed to build the world's best intelligence operation, but first he had to weather yet another storm. It began with a questionable appointment, then was fed by concern, in the Senate and in the intelligence community, that politics might threaten CIA policy.

The controversy led to the hasty resignation in July, 1981, of Max Hugel, a wealthy Brooklyn businessman whom Casey had installed as chief of the CIA's clandestine service. Hugel, who had been a Reagan organizer in the 1980 campaign, was accused by two former business associates of fraudulent securities manipulation in the mid-1970s.

Casey called the Hugel appointment a mistake for which he took "full responsibility." But the furor would not die and it helped to bring on an investigation of Casey by the Senate Intelligence Committee.

The panel found the CIA chief "not unfit" to serve but called him "at minimum inattentive to detail" in reporting his personal finances.

Although Casey's job gave him access to top-level estimates of world economic conditions, he resisted urgings that he transfer his financial holdings to a blind trust

and thus insulate himself from even the appearance of conflict of interest. Pressure for such action developed after Casey's financial report for 1981 showed that he had sold more than \$600,000 in oil stocks as oil prices plunged.

In mid-1982, the CIA set up a special screening arrangement to keep other agency officials aware of changes in Casey's holdings, then valued at more than \$3.2 million. In July, 1983, a much-pressured Casey agreed to put his assets into a blind trust, the precedent for which was set by two of his immediate predecessors, as well as by Reagan and half a dozen other wealthy Administration officials.

On Capitol Hill, Republicans and Democrats on the Senate Intelligence Committee faulted the quality of information provided to them on CIA operations in Central America.

Committee members protested that Casey had briefed them so inadequately on the CIA's role in mining Nicaraguan harbors that they were unaware of the operation's scope when they approved a supplemental \$21 million in April, 1984, for the contras.

Soon thereafter, the director and the Senate panel reached a formal agreement on procedures designed to ensure that Congress receive full advance information about any major intelligence action undertaken or backed by the CIA.

But in October, 1984, another controversy erupted just before the presidential election when it was disclosed that the CIA had produced and distributed a Spanish-language manual for Nicaraguan rebels that included a sentence apparently endorsing political kidnappings and assassinations. Democrats called on Reagan to dismiss Casey.

Thrust Held Misconstrued

In letters to the intelligence committees of both houses, Casey argued that the "thrust and purpose" of the manual had been misconstrued. Its aims, he said, were "to make every guerrilla persuasive in face-to-face communication" and to develop "political awareness."

Controversy over Central America swelled again after Meese's startling November disclosure that proceeds from the sale of U.S. arms to Iran apparently had been diverted to the contras. Casey acknowledged awareness of the diversion

Dec. 11 in closed testimony before the Senate Intelligence Committee.

Casey was said to have told the committee that Roy M. Furmark, a New York energy consultant and former law client, had mentioned a Central American transaction in a telephone conversation on Oct. 7. Later, Furmark testified that he had told Casey that a Canadian group had put up \$20 million to finance an Iranian deal but had been repaid only \$10 million. He said he also thought that Casey believed that the money had been diverted to the contras.

Originally, Casey had told reporters that he had not "learned" of the contra connection until Meese's Nov. 26 statement. Later, however, he conceded that he "had questions about it" after his talk with Furmark more than a month earlier.

1987 Brief

Casey reportedly told congressional investigators that the CIA had begun to help with arms shipments to Iran in 1986, but an earlier date was suggested by a brief filed in January, 1987, in a New York trial for conspiracy to smuggle arms.

The brief said Casey had told Furmark in January, 1985, that the United States had "supplied and permitted the supply of arms to Iran." Thereafter, the brief said, a trading group was formed to make arms sales but completed none.

One aim of the brief was to force public disclosure of a classified "finding," signed by President Reagan on Jan. 17, 1986, which secretly authorized the sale of U.S. weapons to Iran and ordered the CIA not to inform Congress. Casey was reported to have joined in November, 1985, in proposing a preliminary draft of the document, thereafter discarded, that would have given retroactive clearance to previous actions connected with the arms sales.

Casey was born March 13, 1913, in Elmhurst, a bedroom community in New York City's Queens County. He was the son of a municipal civil servant and the grandson of an Irish-born fireman. His energy earned him the nickname "Cyclone" while he was a high school student in Queens, and he lived up to it by working his way successively through Fordham University and St. John's University Law School. He married the former Sophia Kurz in 1941. She and a daughter, Bernadette, survive.